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**BEFORE THE HEARING BOARD OF THE
SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT**

In the Matter of

SOUTH COAST AIR QUALITY
MANAGEMENT DISTRICT,

Petitioner,

vs.

SOUTHERN CALIFORNIA GAS COMPANY,
ALISO CANYON STORAGE FACILITY

[Facility ID No. 800128]

Respondent.

Case No. 137-76

**FINDINGS AND DECISION FOR AN
ORDER FOR ABATEMENT UPON
STIPULATION**

Health and Safety Code §41700 and
District Rule 402

Hearing Date: January 9 and 16, 2016

Time: 9:00 a.m.

Place: Granada Hills Charter High
School
10535 Zelzah Avenue
Granada Hills, CA 91344

This Petition for a Stipulated Order for Abatement was heard on January 9 and 16, 2016, pursuant to notice in accordance with the provisions of California Health and Safety Code ("H&S Code") §40823 and District Rule 812. The following members of the Hearing Board were present: Edward Camarena, Chair; Patricia Byrd, Vice Chair; Julie Prussack; Clifton Lee, M.D.; and David Holtzman. Petitioner, Executive Officer, was represented by Nancy S. Feldman, Principal Deputy District Counsel, and Nicholas A. Sanchez, Senior Deputy District Counsel. Respondent SOUTHERN CALIFORNIA GAS COMPANY (hereinafter referred to as "Respondent" or "SoCalGas"), was represented by Vincent M. Gonzales, Senior Environmental Counsel, Southern California Gas Company, and Robert A. Wyman and Michael J. Carroll, attorneys at law, with the

1 firm of Latham & Watkins LLP. The public was given the opportunity to testify, evidence was
2 received and the matter was submitted. The Hearing Board finds and decides as follows:

3 **FINDINGS OF FACT**

4 1. Petitioner is a body corporate and politic established and existing pursuant to H&S
5 Code §40000, *et seq.* and §40400, *et seq.*, and is the sole and exclusive local agency with the
6 responsibility for comprehensive air pollution control in the South Coast Basin.

7 2. SoCalGas is a public utility engaged in the transmission, storage and distribution
8 of natural gas in the Southern California area and subject to the jurisdiction of the California Public
9 Utilities Commission (CPUC). SoCalGas' Aliso Canyon Storage Facility is located at 12801
10 Tampa Avenue, Northridge, California 91326 (the "Facility"). It is used to store natural gas in
11 underground reservoirs during periods when demand for gas is low and supplies are plentiful.
12 When demand is high and supplies are scarce, gas is then withdrawn from the Facility and
13 distributed to customers. The Facility is subject to the jurisdiction and, in various aspects, authority
14 of multiple agencies, including but not limited to the District, the CPUC and the California
15 Department of Conservation, Division of Oil, Gas and Geothermal Resources (DOGGR).

16 3. **California H&S Code §41700 and District Rule 402** prohibit the discharge from
17 any source whatsoever of such quantities of air contaminants or other material which cause injury,
18 detriment, nuisance, or annoyance to any considerable number of persons or to the public, or which
19 endanger the comfort, repose, health or safety of any such persons or the public, or which cause,
20 or have a natural tendency to cause, injury or damage to business or property.

21 4. The Facility is located within the District's jurisdiction and subject to the District's
22 regulations. In the course of operating the Facility, Respondent stores natural gas at Well SS-25
23 (the "Well"). The Well extends 8,500 feet below the surface of the earth and is one of 115 storage
24 wells at the 3,600-acre Facility. The Facility can hold 86 billion cubic feet of natural gas.

25 5. Beginning on or about October 23, 2015, SoCalGas discovered a leak at the Well.
26 The natural gas leaking from the Well contains mercaptan and tetrahydrothiophene (THT) odorant.
27 SoCalGas' efforts to stop the leak have been unsuccessful to date.

1 6. Beginning on October 23, 2015, and continuing through the present, the District
2 has received over 1,600 odor complaints from the public alleging the Facility as the source of the
3 odor.

4 7. On November 5, 2015, the District issued Notice to Comply E-26893 to
5 Respondent, requiring SoCalGas to provide the following information:

6 a. On what date and how did SoCalGas first become aware of the natural gas
7 leak?

8 b. What steps have been taken to repair the affected well injection site; when
9 was each step taken; and did it control/eliminate the release of natural gas
10 into ambient air?

11 c. What specific recommendations have been made to SoCalGas to
12 control/eliminate odors from the affected well injection site?

13 d. What recommendations have been made to SoCalGas in regards to the air
14 monitoring plan(s) for both onsite and community sampling?

15 e. What recommendations have been made by the State of California, Natural
16 Resources Agency, Department of Conservation Division of Oil, Gas and
17 Geothermal Resources (DOGGR) or any other regulatory agencies in
18 regards to controlling/eliminating the release of natural gas from the
19 affected injection well site?

20 8. In addition, SoCalGas was required to safely and as quickly as possible stop the
21 release of natural gas from the affected well site and all of its associated appurtenances, so as to
22 prevent odors from natural gas, including odorants, from impacting the nearby communities. On
23 November 10, 2015, SoCalGas provided a written response to Notice to Comply E-26893
24 indicating its investigation of the events surrounding the incident and response efforts are ongoing.

25 9. On November 23, 2015, the District issued Notice of Violation (NOV) P62646 to
26 Respondent alleging an ongoing public nuisance pursuant to H&S Code §41700 and District Rule
27 402. The District alleges that Respondent is in violation and has been in violation of H&S Code
28 §41700 and District Rule 402 since October 24, 2015.

1 10. The District asserts NOV P62646 includes violations due to SoCalGas' creation of
2 an alleged public nuisance by discharging odor emissions into nearby communities starting on
3 October 24, 2015, and continuing through the present and until SoCalGas achieves compliance by
4 operating the Facility without creating a public nuisance.

5 11. On November 18, 2015, DOGGR issued an Emergency Order requiring SoCalGas,
6 among other things, to submit a time schedule by November 20, 2015, stating when a relief well
7 site preparation will be complete and when drilling will commence.

8 12. On December 3, 2015, SoCalGas notified the District of its intent to commence
9 drilling the relief well on December 4, 2015, pursuant to District Rule 1148.2.

10 13. SoCalGas anticipates it will complete drilling the relief well sometime in February
11 2016 or March 2016.

12 14. On December 9 and 10, 2015, District Inspectors visited the Facility and conducted
13 an infrared camera inspection to check for leaks that may be contributing to the alleged nuisance.
14 The District Inspectors were unable to inspect the Well due to health and safety reasons.

15 15. During the Facility inspection, District Inspectors observed approximately 16 wells
16 that were not accessible. District Inspectors observed 15 wells through the infrared camera that
17 indicated leaking valves, fittings, and/or flanges. The infrared camera observations reflected
18 relatively minor leaks that were significantly less than the leak at Well SS-25 and below levels that
19 would constitute a violation of current District rules. SoCalGas had staff present during the District
20 Inspectors' Facility visit, and they represented that they were actively repairing leaks and that
21 SoCalGas staff and consultants had been dispatched to check the location of leaks. All the minor
22 well leaks discovered by District Inspectors on December 9 and 10, 2015 have been repaired.

23 16. On December 14, 2015, the CPUC Safety and Enforcement Division (SED) and
24 DOGGR directed SoCalGas to hire an independent third party to perform a technical root cause
25 analysis on the nature of the failure of the Well and the technical cause of the leak. This joint
26 agency investigation will likely address all technical aspects of the Well's safety management
27 system, including the role of deep subsurface valves.

17. On December 19, 2015, SoCalGas notified the District that it intended to commence drilling a second relief well in mid-January 2016.

18. On January 6, 2016 Governor Brown issued a Proclamation of a State of Emergency due to the natural gas leak at the Well which directed that certain actions related to the leak be taken by SoCalGas and various state agencies.

19. The District alleges that SoCalGas is unable to conduct operations at the Facility without being in violation of H&S Code §41700 and District Rule 402. SoCalGas has been unable to stop discharging air pollutants impacting nearby communities and has stated publicly that it will take at least three months to stop the leak.

20. The SCAQMD staff has been directed by its Governing Board to initiate rulemaking to govern good maintenance and safe operation of injection wells at facilities throughout the South Coast Basin.

CONCLUSIONS

21. The Order set forth hereinafter is likely to mitigate the conditions contributing to the alleged nuisance and further compliance with SCAQMD rules and regulations. This Order is intended to help reduce air emissions impacts to the nearby communities, implement steps to reduce any public health impacts that may exist, and alleviate odors while a more permanent solution is achieved.

22. The District, by this Petition, seeks an Order for Abatement to impose certain conditions on Respondent's operation of the Facility. The District believes that such conditions will mitigate the conditions contributing to the alleged nuisance and further compliance with SCAQMD rules and regulations.

23. It is not unreasonable to require Respondent to comply with District rules and regulations.

24. The issuance of an Order for Abatement upon a fully noticed hearing would not constitute a taking of property without due process of law.

25. This Order for Abatement is not intended to be nor does it act as a variance.

1 **ORDER**

2 THEREFORE, subject to the aforesaid statements and good cause appearing, the Hearing
3 Board hereby orders Respondent to immediately cease and desist from operating the Facility in a
4 manner that violates H&S Code §41700 and District Rule 402, or in the alternative comply with
5 the following conditions and increments of progress:

6 **CONDITIONS AND INCREMENTS OF PROGRESS**

7 **Leaking Well (SS-25)**

8 1. Commencing upon issuance of this Order and continuing until such time as the leak
9 at the Well has ceased, SoCalGas shall continuously monitor the Well site with an infrared camera.
10 Monitoring shall be conducted in accordance with a protocol to be submitted prior to the close of
11 evidence. To address any circumstances not specifically identified in the protocol, SoCalGas shall
12 notify the Executive Officer or his designee, in writing of the circumstances in question and
13 propose modifications to the protocol to address them and refrain from implementing such
14 modifications until such time as the District approves the modification in writing. SoCalGas shall
15 make a second infrared camera or equivalent available at the Facility to District staff upon request
16 for monitoring the Facility. Any such monitoring by District staff shall be coordinated with
17 SoCalGas to ensure the safety of all persons at the Facility. All infrared camera data collected by
18 SoCalGas shall be maintained for the duration of this Order and made available to the District staff
19 upon request. In the event that such data is made available to the District, SoCalGas may identify
20 the data as confidential data pursuant to California Government Code § 6254.7(e), which exempts
21 from disclosure under the California Public Records Act (PRA) data used to calculate emissions
22 data, and/or any other relevant exemption. Upon receipt of a PRA request for the data, the District
23 shall evaluate the claim of confidentiality pursuant to its PRA policies and California Law.

24 2. Within ten (10) days from the issuance of this Order, or the issuance of any required
25 permits from the District or other agencies with jurisdiction, whichever is later.¹ SoCalGas shall
26

27 ¹ The US EPA has announced its intention to form a task force of federal agencies to assess the safety of the proposed
28 collection and incineration plan. If the task force objects to the implementation of the plan, the matter will be brought
before the Hearing Board for further proceedings.

1 begin implementing a plan, to be submitted prior to the close of evidence, to capture and dispose
2 of natural gas that is leaking from the Well. The plan shall include measures to estimate the
3 quantity of natural gas captured, the disposition of the captured gas (incineration or carbon
4 adsorption), and the destruction efficiency of gas incineration and/or capture efficiency of carbon
5 adsorption. The plan shall be implemented only if SoCalGas determines that it is safe to do so. In
6 the event that SoCalGas determines that it is not safe to implement the plan, SoCalGas will discuss
7 the basis of its determination with District staff. In the event that District staff disagrees with the
8 determination by SoCalGas, SoCalGas shall notice a hearing before the Board for further
9 proceedings. Subject to the foregoing, measures identified in the plan shall be implemented
10 according to the schedule set forth in the plan. To address any circumstances not specifically
11 identified in the plan, SoCalGas shall notify the Executive Officer or his designee, in writing of
12 the circumstances in question and propose modifications to the plan to address them and refrain
13 from implementing such modifications until such time as the District approves the modification in
14 writing.

15 3. Once the leak at the Well has ceased, the Well shall not be used for future natural
16 gas injection or withdrawal.

17 4. Minimize natural gas leaking from the Facility by:

- 18 a. Except as authorized by the CPUC, stopping all gas injection into the
19 Facility's underground reservoir until the leak at the Well has ceased.
20 SoCalGas shall provide notice to the Executive Officer or his designee,
21 within 24 hours of any gas injection into the Facility; and
22 b. Withdrawing the maximum amount of gas in a contained and safe manner
23 from the Facility as quickly as possible upon issuance of this Order, subject
24 only to SoCalGas' obligation to furnish and maintain reliable supplies and
25 delivery of natural gas as mandated by California Public Utilities Code
26 Section 451.

27 5. Commencing with the issuance of this Order and continuing until the leak at the
28 Well has ceased, SoCalGas shall provide the District the estimated amount of natural gas injected

1 into the Facility's underground reservoir, and the estimated amount of natural gas injected through
2 each of the 115 gas storage wells, on a daily basis. All natural gas injection data shall be provided
3 to the attention of the Executive Officer or his designee, on a weekly basis via a secure SharePoint
4 site in a form acceptable to the District. SoCalGas may identify the data as trade secret pursuant
5 to California Government Code §§ 6254(k) and 6254.7(d), which exempt trade secrets from
6 disclosure under the PRA. Upon receipt of a PRA request for the data, the District shall evaluate
7 the claim of a trade secret pursuant to its PRA policies and California Law.

8 6. Commencing with the issuance of this Order and continuing until the leak at the
9 Well has ceased, SoCalGas shall provide the District the estimated total amount of natural gas
10 withdrawn from the Facility's underground reservoir, and the estimated amount of natural gas
11 withdrawn through each of the 115 gas storage wells, on a daily basis. For the purposes of this
12 paragraph, "gas withdrawn" does not include natural gas lost to the atmosphere as a result of the
13 leak, which will be determined after the leak has ceased and SoCalGas is able to provide an
14 inventory-based estimate. All natural gas withdrawal data shall be provided to the attention of the
15 Executive Officer or his designee, on a weekly basis via a secure Share Point site in a form
16 acceptable to the District. SoCalGas may identify the data as trade secret pursuant to California
17 Government Code §§ 6254(k) and 6254.7(d), which exempt trade secrets from disclosure under
18 the PRA. Upon receipt of a PRA request for the data, the District shall evaluate the claim of trade
19 secret pursuant to its PRA policies and California Law.

20 7. SoCalGas shall provide the District any data collected and/or recorded by SoCalGas
21 and/or its contractors since October 23, 2015 that is necessary to calculate or estimate the quantity
22 of methane that has escaped from the Well using established methodology for shut in inventory
23 analysis. SoCalGas shall also provide any wind/meteorological data for the Facility, air emissions
24 monitoring data, and methane and non-methane natural gas components laboratory data taken from
25 the Well. All such data shall be provided within seven (7) days upon request from the District in
26 a manner and form acceptable to the District. Any data provided to the SCAQMD pursuant to this
27 paragraph may be designated by SoCalGas as confidential data pursuant to California Government
28 Code § 6254.7(e), which exempts from disclosure under the PRA data used to calculate emissions

1 data, and/or any other relevant exemption. Upon receipt of a PRA request for the data, the District
2 shall evaluate the claim of confidentiality pursuant to its PRA policies and California Law.

3 8. Within ten (10) days from the issuance of this Order, SoCalGas shall submit for
4 approval by the Executive Officer or his designee an enhanced leak detection and reporting well
5 inspection program to proactively identify and mitigate potential emissions of air contaminants.
6 The program shall cover active and abandoned natural gas storage wells, water injection wells,
7 and shallow zone oil production wells owned by SoCalGas. The program shall identify issues
8 relating to leak detection and reporting beyond those contained in SoCalGas' existing well
9 inspection and maintenance program. The enhanced leak detection and reporting program shall
10 include the following elements specifically related to air emissions:

- 11 a. Guidelines and procedures for inspection of all the wells and maintenance
12 of such wells at the entire Facility within two years of submission of the
13 plan, including notice and participation by the District.
- 14 b. Frequency of well inspection and maintenance.
- 15 c. Qualifications, requirements and training of individuals performing well
16 inspections.
- 17 d. Monitoring and emissions measurements during well inspections.
- 18 e. Recordkeeping of any wells taken out of service or installed.
- 19 f. Recordkeeping and notification of any well breakdowns.
- 20 g. Recordkeeping and retention of well inspection and maintenance reports.
- 21 h. Daily use of infrared cameras or equivalent to utilize infrared technology to
22 monitor SoCalGas natural gas wells located at the Facility property. All
23 daily infrared camera data shall be retained and made available for
24 inspection by the District at the Facility.
- 25 i. On-going inspections of the physical integrity of the wells at the Facility
26 property shall be recorded on a weekly basis and retained and made
27 available for inspection by the District at the Facility
28

1 j. Enforceable commitments and timelines to accomplish a.-i. as quickly as
2 feasibly possible.

3 SoCalGas shall prioritize and conduct the enhanced well leak detection and reporting
4 program based on criteria relevant to the risk of well leakage from the Facility, including
5 maintenance, condition, age and/or emissions from wells. The enhanced well leak detection and
6 reporting program shall prioritize inspection of all the wells based on data obtained indicating
7 which wells may require repair and/or maintenance based on age and/or leaks.

8 9. SoCalGas shall promptly provide the District with a copy of any written reports of
9 the joint SEC-DOGGR factual investigation referred to in paragraph 16 of the Findings of Fact
10 above.

11 **Continuous Air Monitoring Plan**

12 10. SoCalGas shall provide the District with funding for District staff or contractor
13 hired by the District, or a combination of the two, to develop, staff, and implement a continuous
14 air monitoring plan, including a methane monitor network at the Facility property, for the nearby
15 school/community during the duration of this Order. This plan is independent from any other air
16 monitoring plan being performed by SoCalGas, or in conjunction with any other agency.

17 **Air Quality Notification Plan**

18 11. Within thirty (30) days from the issuance of this Order, SoCalGas shall submit for
19 approval by the Executive Officer or his designee an Air Quality Notification Plan.

20 **Health Study**

21 12. SoCalGas shall provide the District within ten (10) days from the issuance of this
22 Order, a written commitment for funding for reasonable costs to conduct a health study on the
23 potential impacts of the exposure to the constituents of the natural gas released from the Facility
24 relating to the Well leak, including but not limited to tetrahydrothiophene and tertiary-butyl
25 mercaptan, potentially affecting the nearby community. The health study shall also analyze any
26 health impacts from any odor suppressants or neutralizers, and their byproducts, if any, used to
27 mitigate odors in the nearby community. The health study shall be completed by a third party
28 approved by the District and SoCalGas, who shall not unreasonably withhold approval of the

1 contractor. An advisory committee of subject matter experts shall be established by the District to
2 evaluate the field data collection and analysis methods as well as proposed study results.

3 **Odor Suppressants or Neutralizers**

4 13. SoCalGas shall not use any odor suppressants or odor neutralizers to reduce and/or
5 mitigate against odors from the Facility.

6 **Odor Complaints²**

7 14. Subject to any applicable privacy laws or regulations, SoCalGas shall provide the
8 District (Attn: Mohsen Nazemi) with complaint data for complaints received by SoCalGas
9 beginning on and after October 23, 2015 and continuing for the duration of this Order, including,
10 for each complaint:

- 11 a. The date and time it was reported to SoCalGas.
- 12 b. A sufficient description of the location of the complaint, including but not
13 limited to the street name and block number.
- 14 c. A description of the complaint.
- 15 d. Complaint data received after the issuance of this Order shall be provided
16 to the District (Attn: Mohsen Nazemi) on a weekly basis. All complaint
17 data shall be provided to the District in a manner and form acceptable to the
18 District.

19 **GENERAL CONDITIONS**

20 15. Equipment and operations at the Aliso Canyon Facility are subject to the
21 jurisdiction and regulatory requirements of multiple state agencies, including but not limited to the
22 District, the California Air Resources Board, the CPUC, and DOGGR. The conditions of this Order
23 shall not in any way restrict or expand the scope of jurisdiction of any agency. If any agency that
24 shares jurisdiction over the Facility with the District requires SoCalGas to take any action that is
25 inconsistent with this Order, SoCalGas shall immediately contact the District by email at
26 nsanchez@aqmd.gov, nfeldman@aqmd.gov, and mnazemil@aqmd.gov and describe the

27 _____
28 ² SCAQMD maintains complainant personal information, such as name, address and telephone
number, as confidential, to the extent allowed by state and federal law.

1 inconsistent provisions. SoCalGas shall endeavor to resolve the inconsistency with the Executive
2 Officer or his designee. If the inconsistency is resolved, SoCalGas shall immediately inform the
3 Hearing Board in writing. If the inconsistency cannot be resolved, SoCalGas shall notice a hearing
4 before the Board for further proceedings. At such proceeding, only the provision in dispute shall
5 be resolved by the Hearing Board while the other conditions in this Order shall remain in full force
6 and effect.

7 16. The Hearing Board shall hold a hearing on _____ to review the status of this
8 matter and consider the modification and/or extension of this Order.

9 17. The Hearing Board shall retain jurisdiction over this matter until **January 31, 2017**,
10 or until Respondent has met all Conditions and Increments of Progress hereunder, whichever
11 occurs first, unless this Order is amended or modified.

12 18. The Hearing Board may modify this Order without the stipulation of the parties
13 upon a showing of good cause, therefore, and upon making the findings required by H&S Code
14 §42451(a) and District Rule 806(a). Any modification of this Order shall be made only at a public
15 hearing held upon ten (10) days published notice and appropriate written notice to Respondent.

16 19. This Order is not and does not act as a variance, and Respondent is subject to all
17 rules and regulations of the District, and to all applicable provisions of California law. Nothing
18 herein shall be deemed or construed to limit the authority of the District to issue Notices of
19 Violation, or to seek civil penalties, criminal penalties, or injunctive relief, or to seek further orders
20 for abatement, or other administrative or legal relief.

21 BOARD MEMBER: _____

22
23 DATED: _____

24
25 Prepared by Nicholas A. Sanchez and Nancy S. Feldman

26 Reviewed by Robert A. Wyman and Michael J. Carroll